STATE OF CONNECTICUT

AUDITORS' REPORT

DEPARTMENT OF CORRECTION
FOR THE FISCAL YEARS ENDED JUNE 30, 1998 AND 1999

AUDITORS OF PUBLIC ACCOUNTS
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We have made an examination of the financial records of the Department of Correction for the fiscal years ended June 30, 1998 and 1999. This report on our examination consists of Comments, Recommendations and Certification which follow.

The financial statement presentation and auditing of the books and accounts of the State are done on a Statewide Single Audit basis to include all State agencies including the Department of Correction. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants and evaluating internal control structure policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The Department of Correction (DOC) operates under Title 18, Sections 18-7 through 18-107 of the General Statutes. It defines its mission as protecting the public, protecting staff, and assuring a secure, safe environment for offenders in a climate that promotes professionalism, respect, integrity, dignity and excellence.

The Department is headed by a Commissioner who is responsible for the administration, coordination and control of the operations of the Department and for the overall supervision and direction of all institutions, facilities and activities of the Department. John J. Armstrong has served as Commissioner since January 20, 1995.

The operation of the Department's 20 correctional facilities are organized into four complexes as follows:

Complex 1- *Enfield Correctional Institution (CI), Carl Robinson CI, Williard-Cybulski CI, Northern CI, and Osborn CI*

Complex 2- *Cheshire CI, Manson Youth Institution, Webster CI, Bridgeport Correctional Center (CC), Garner CI, and New Haven CI*

Complex 3- *Brooklyn CI, Corrigan CI, Northeast CC, Radgowski CI, Gates CI, and York CI*
Complex 4- *Hartford CC, MacDougall CI, and Walker Reception and Special Management Unit*

Most Agency business operations are located within its administrative offices in Wethersfield. The exceptions are property control records for the institutions, inmates' funds and petty cash. These records are maintained in one of three district offices. The District 1 office consists of institutions in Complexes 1 and 4. Districts 2 and 3 consist of institutions in Complexes 2 and 3, respectively.

Correctional institutions confine sentenced males and sentenced and unsentenced females. Correctional centers primarily serve as intake facilities for unsentenced males and males with sentences of less than two years. The Walker Reception and Special Management Unit in Suffield is a multipurpose facility that functions as the primary intake facility for males with sentences of two years or longer who are being assessed prior to assignment to a correctional institution. Each facility is established at one of four levels of security ranging from level 2, low security, to level 5, high security. Level 1 is for inmates who have been released into the community but are still in custody of the DOC.

According to Department statistics, total inmate population as of June 30, 1999 was 16,736. Total male and female inmate population as of June 30, 1999, was 15,642 and 1,094 respectively. All female inmates are held at York CI.

Board of Pardons:

The Board of Pardons is an autonomous body which operates within the Department of Correction for administrative purposes only. It operates under the authority of Title 18, Chapter 321, Sections 18-24a through 18-30 of the General Statutes.

The Board of Pardons consists of five members, residents of this State, appointed by the Governor with the advice and consent of either House of the General Assembly. The Board members serve six-year terms.

Expenditures for the Board of Pardons totaled $28,006 and $29,640 for the 1997-98 and 1998-99 fiscal years, respectively, and mainly consisted of contractual services for the Board's secretary.

RÉSUMÉ OF OPERATIONS:

General Fund Revenues and Receipts:

General Fund revenues and other receipts of the Department of Correction for the past two fiscal years were as follows:

	Fiscal Year Ended June 30, 1999	1998
Restricted contributions, Federal	$10,706,174	$ 3,613,374
Restricted contributions, other than Federal	3,438,958	368,161
Refunds of prior year's expenditures	674,099	961,296
Refunds of current year expenditures	2,168,436	2,545,958
Board of inmates in jail	2,540,136	1,266,987
All other revenue	318,432	225,334
Total General Fund Revenues and Receipts	**$19,846,235**	**$ 8,981,110**

For comparative purposes, total General Fund revenues and receipts for the 1996-97 fiscal year were $11,792,924. The increase of over $10,800,000 in receipts for the 1998-99 fiscal year as compared to the 1997-98 fiscal year can be attributed to several significant factors. One factor was a delay in receiving Federal funds for the State Criminal Alien Assistance Program (SCAAP). SCAAP funds for the 1997 Federal fiscal year, totaling $2,446,619, were not received until the 1998-99 fiscal year. The delay also was a major reason for the decrease of $2,800,000 in General Fund revenues and receipts for the 1997-98 fiscal year. Another factor regarding the increase for the 1998-99 fiscal year, under the category of restricted contributions, was the transfer of $2,660,959 in funds invested in the State Treasurer's Short Term Investment Fund (STIF) to the General Fund during March 1999. This was done as part of closing the Correctional General Welfare Fund as a local account and transferring it to the General Fund as a restricted account. A third factor was the $1,273,149 increase in the category of "board of inmates in jail". Under agreement with United States Immigration and Naturalization Service (INS), the DOC receives reimbursement for holding INS detainees. The number of detainees increased substantially during the 1998-99 fiscal year.

General Fund Expenditures:

General Fund expenditures for the Department of Correction are summarized below:

	Fiscal Year Ended June 30, 1999	1998
Budgeted Accounts:		
Personal services	$271,603,625	$284,114,503
Contractual services- Medical fees	49,561,273	14,645,093
Contractual services- All other	27,150,016	27,385,997
Commodities- Food	12,490,200	12,408,626
Commodities- All other	19,946,831	19,906,230
Workers' Compensation	13,904,423	12,739,434
Sundry Charges	3,179,112	3,187,787

State Grants-Residential (Halfway houses) and		
Non-residential community services	12,683,547	12,727,789
Other State Grants	871,380	935,602
Equipment	3,385,914	3,919,658
Total Budgeted Accounts	414,776,321	391,970,719
Restricted Accounts:		
Federal accounts	4,370,162	2,295,112
Other than Federal Accounts	680,408	349,146
Total Restricted Accounts	5,050,570	2,644,258
Total Expenditures	**$419,826,891**	$**394,614,977**

For comparative purposes, total expenditures for the 1996-97 fiscal year were $404,829,690, of which, $291,406,333 was for personal services. The decrease in total personal service expenditures by $7,291,830 and $12,510,878 for the 1997-98 and 1998-99 fiscal years, respectively, were the result of large lump sum payments to employees during the 1996-97 and 1997-98 fiscal years, respectively. At the end of the 1996-97 fiscal year, an agreement was reached with the NP-4 bargaining unit, which represents correctional officers. This resulted in lump sum payments to NP-4 union members during June 1997 totaling approximately $21,000,000.

During the 1997-98 fiscal year, the Department signed a memorandum of understanding with the University of Connecticut Health Center (UCHC) to provide a comprehensive managed care program for the medical care of inmates. This included transferring the Department's health services staff to UCHC. Because of the memorandum, a lump sum payment of approximately $18,600,000 was made directly to health service employees for compensation prior to their transfer to UCHC. During the 1998-99 fiscal year, medical fees increased by nearly $35,000,000 due to a change in the expenditure coding of inmate medical care. Previously, expenditures relating to inmate medical care would be coded to the appropriate category under either personal services, contractual services or commodities. For 1998-99, a separate appropriation was created for expenditure transfers to UCHC for inmate medical care with all such transfers coded as medical fees.

The Agency additionally purchased equipment through the Capital Equipment Purchases (1872) Fund totaling $942,161 and $1,256,251 for the 1997-98 and 1998-99 fiscal years, respectively.

Correctional Industries Fund:

The Correctional Industries (4003) Fund accounts for the operations of Correctional Enterprises of Connecticut (CEC) and inmate institutional commissaries. CEC produces goods and/or services through inmate labor that are sold primarily to other State agencies. CEC may also sell items to other governmental agencies or private nonprofit entities. The institutional inmate commissaries sell various personal supplies and food items to inmates. Funds are transferred from the individual Inmates' Fund accounts to the 4003 Fund when inmates purchase commissary items. A summary of cash receipts and disbursements for the 4003 Fund for audited period follows:

	CEC	Commissary	Total
Cash Balance, July 1, 1997	**$3,113,324**	**$2,902,675**	**$6,015,999**
Receipts	5,523,361	9,448,071	14,971,432
Disbursements	5,095,357	8,880,123	13,975,480
Cash Balance, June 30, 1998	**3,541,328**	**3,470,623**	**7,011,951**
Receipts	6,017,302	10,567,045	16,584,347
Disbursements	6,417,008	10,433,443	16,850,451
Cash Balance, June 30, 1999	**$3,141,622**	**$3,604,225**	**$6,745,847**

Per Capita Costs:

The weighted average daily per capita cost for the operation of correctional facilities, as calculated by the State Comptroller for the 1997-98 fiscal year was $84.50. The cost for 1998-99 was unavailable at this writing.

Fiduciary Funds:

The DOC maintains four fiduciary funds, a Special Projects Activity Fund and three Inmates' Funds located in Suffield, Cheshire and Niantic. Activity Funds operate under the provisions of Sections 4-52 through 4-57a of the General Statutes. The Special Projects Activity Fund accounts for various minor inmate events. Inmates' Funds are custodial accounts for inmates' personal monies.

The Correctional General Welfare Fund became a General Fund restricted account during the 1997-98 fiscal year with its checking account closed during the 1998-99 fiscal year.

According to Agency financial statements, cash and cash equivalents for fiduciary funds totaled $1,227,112 as of June 30, 1999.

CONDITION OF RECORDS

Our review of the Department's records revealed several areas requiring improvement or further comment as discussed below:

Property Control:

Criteria: The State of Connecticut's Property Control Manual requires each State agency to establish and maintain adequate and accurate property control records. Such records should provide for complete accountability and safeguarding of assets.

Condition: Software Inventory- As also noted in our prior audit, the inventory of the software programs owned or maintained on the Department's personal computers are incomplete.

Warehouse Supplies Inventory- Our test check of warehouse supplies inventories for Districts 1 and 2 showed that inventory records were not accurate.

Correctional Enterprises- There was no supporting documentation to show the detail of amounts reported as deletions to Agency personal property on the annual inventory reports submitted to the State Comptroller. Also, additions to personal property did not reflect fiscal year expenditures.

Effect: There was a lack of compliance with the State's Property Control Manual guidelines to ensure the proper recording and safekeeping of the State's assets.

Cause: A lack of oversight to ensure that records are properly maintained contributed to this condition.

Recommendation: The Agency should maintain its property control records according to the State's Property Control Manual guidelines as provided in Section 4-36 of the General Statutes. (See Recommendation 1.)

Agency Response: "1. In the later part of 1998, management recognized that software inventory records were incomplete. In February of 1999, responsibility for maintaining the software inventory was transferred from MIS to the Central Office Inventory Control Group. This group receives copies of software purchasing documents and maintains a database of the assigned location of all software purchased.

2. As the CorrectNet (LAN system) progresses through DOC, updated warehouse databases, currently on hand, will be installed which will insure

the same inventory accuracy, which is achieved in District 3. The warehouses will be able to perform perpetual inventories on different items each week, which will allow a complete inventory at least quarterly. These programs are currently being tested for upload in District 1.

The Equipment Inventory has been brought under control by assigning the local Inventory Control Units to maintain and report the items at their respective locations.

3. Supporting documentation is available to substantiate the additions to the inventory. These additions represent the purchases as shown in SAAAS for the period of 7/1/98 to 2/28/99. These figures are adjusted for accruals. It is necessary to use the February inventory because the final inventory for the year is not available until after the date the CO-59 is due.

The Cash Flow Statement and the General Ledger Trial Balance reports are the supporting documents which were used to compute the deletions for the CO-59 report."

Payroll and Personnel:

Criteria: Proper internal control would include detecting and correcting payment errors on a timely basis.

Collective bargaining agreements require employees to provide medical certificates when out on sick leave for more than 40 consecutive hours.

Condition: Our sample of Department payroll and attendance records revealed the following:

1. Medical certificates- Our test check showed medical certificates were not on file for three of 21 cases (or 13 percent) where an employee charged over 40 consecutive hours of sick leave. The Department subsequently obtained medical certificates for the three cases lacking documentation.

2. Lack of follow up on overpayments- We noted four overpayments to employees that were previously brought to the attention of the Department's Payroll Department and remained uncorrected. An internal review in January 1999 found three overpayments for longevity that totaled $292. Also, during our last audit we notified the agency of a $106 longevity overpayment during March 1998. Our current review conducted during January 2000 showed the four overpayments were still outstanding.

3. Incorrect longevity calculations- Our test of longevity calculations showed eight out of 25 instances where the employees' length of State

service for calculating longevity was incorrect. These errors resulted in an underpayment of $136 and two overpayments totaling $1,245. The other five errors had no effect on the longevity payment.

4. Incorrect leave payments upon termination or retirement- Our testing of leave payments to employees upon termination or retirement showed errors in five out of 25 employees. These errors resulted in underpayments totaling $972 and overpayments totaling $510.

Effect: Erroneous payments were made to employees without detection.

Cause: The causes for the above conditions were not determined.

Recommendation: The Agency should improve its oversight over payroll matters. (See Recommendation 2.)

Agency Response: "…Payroll is providing a lost time report to personnel officers, which will show all absences of five or more days to facilitate follow-up to secure the appropriate documentation in a timely manner…actions [were] taken by the Agency to correct [the overpayments]…longevity adjustments…were accomplished. In addition, a schedule for file review and a longevity worksheet will be developed to ensure review for the October longevity payments…[incorrect leave payments were adjusted]…A Payroll Clerk and Payroll Supervisor have put a crosscheck system into place for reviewing [leave payment] calculations."

Loss Reporting:

Criteria: Section 4-33a of the General Statutes requires State agencies to notify the Auditors of Public Accounts and the Comptroller of any unauthorized, illegal, irregular or unsafe handling or expenditure of State funds or breakdowns in the safekeeping of any resources of the State.

Condition: 1. During April 1999, a Department employee was suspended without pay for 15 days for misconduct by inappropriately granting a day off to two subordinates. The suspension amounted to a loss of nearly $4,500 in gross pay. No disciplinary action was taken against the two subordinate employees. We found out about this matter after we made general inquiries to the Department concerning incidents of fraud since it had not been reported as required by Section 4-33a of the General Statutes.

2. The DOC operates a cafeteria at its administrative offices that is open to its employees and the public. On June 28, 1999, part of the ceiling collapsed causing the cafeteria to temporarily close with a loss of $767 in food products. The loss was reported on March 20, 2000 as required by Section 4-33a after we informed the Agency of the need to submit such

report.

On December 17, 1999, we reported the employee suspension noted above to the Governor and other State Officials.

Effect: The above lack of notification violates Section 4-33a of the General Statutes.

Cause: It appears agency personnel are not fully aware of the need to report losses as required by Section 4-33a.

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Recommendation: The Agency should ensure all losses are reported as required by Section 4-33a of the General Statutes. (See Recommendation 3.)

Agency Response: "The Agency has not made notice to auditors in the past of any suspension as a loss in accordance with Section 4-33a. We processed many disciplinary actions that resulted in a loss of pay during this, and previous, audit periods. The incident investigated was reported to the …Ethics Commission [which]…found no violation…Neither subordinate employee was disciplined as their time records appropriately reflected use of their own time rather than [training] time as suggested by the [suspended employee]. The matter was corrected prior to impacting on payroll.

Procedures for filing loss reports for damaged or lost property are addressed in the Administrative Directive 3.4, Inventory Control. Appropriate staff will be advised accordingly to ensure compliance in the future.

It may be appropriate to request training on 4-33a since it was cited in several areas. We could end up providing notice on many actions/investigations not currently being reported."

State Grants- Community Services Programs:

The Department contracts with nonprofit providers for alternative incarceration programs. These providers receive State grants to operate both residential (halfway house) and non-residential community services programs for inmates referred by the Department.

Criteria: Proper accountability over grants would require reconciling total expenditures presented in the provider's audit report to the grant award with any unused funds either returned to the State or approved for future use.

Condition: The State Single Audit Act and Regulations do not require the provider's audit report to present expenditures on a State fiscal year basis. In such cases, the provider's audit report, showing award expenditures, based on the provider's fiscal year, may not be reconcilable to the Department's award of funds, based on the State fiscal year. However, the provider is required to submit financial reports based on the State fiscal year. Therefore, the agency should require its providers to furnish a reconciliation of expenditures reported on their financial reports to expenditures presented in their audit report.

Effect: The Department is unable to reconcile the grant award, based on the State fiscal year, to the provider's audited grant expenditures, presented on a different fiscal year period. Thus, any unspent funds due back to the State cannot be identified.

Cause: As noted above, State Single Audit Act allows the provider to submit an audit based on their fiscal year which may not be the same as the State fiscal year.

Conclusion: We were informed that the Department will include a provision in future contracts that will require its providers to reconcile their financial reports to the audit report. In anticipation of such action, no recommendation is presented.

Postage and Fuel Expenditures:

Criteria: A key step in internal control over expenditures is verifying that vendor invoices agree with appropriate price lists and that charges are for official State business before rendering payment.

Condition: We noted that certain postage charges are not compared to a price list nor is there any documentation that the delivered items are for State business.

We found a lack of controls over gasoline credit card purchases. No signature is required to receive gasoline, therefore there is no proof that the credit card was used for official State business or if an authorized State employee used the card.

Effect: There is a potential for inappropriate payments to be undetected.

Cause: A lack of oversight by the agency business office to ensure vendor billings are proper before authorizing payment.

Recommendation: The Agency should improve its controls over postage and fuel expenditures. (See Recommendation 4.)

Agency Response: "With regard to postage charges, [one particular vendor] previously held the contract award for courier services for the state. This award is now shared by [two new vendors]. Within the Department of Correction…

Accounts Payable did verify the weekly service charge for the automated daily pickup, but did not check prices for each shipment as information needed to do so was not available. If a copy of the logbook sheets or the tracking slip with bar code labels was not available to serve as a receiving document, a copy of the invoice was sent to the shipping location to be signed, dated and returned as a receiver verifying that the packages sent out were for state business…Accounts Payable did question both the shipper and the vendor with regard to any charges which seemed grossly out of line. Either an adjustment was made or substantiation of billed charges was provided.

With the new award, Accounts Payable is in the position to verify charges and does so.

[With regard to the] lack of controls over gas cards, the agency recognized that a verification of gasoline charges is necessary. A plan and procedures were developed to have the charge card users verify the charges using the same type of format that is used to verify cellular phone and telephone credit card charges. The responsibility for monitoring the charges was reassigned from Accounts Payable to the Field Support section of Fiscal Services. In the transition, the procedures were never implemented. Procedures for verification will be implemented immediately."

Correctional Enterprises of Connecticut (CEC)- Annual Operating Plan:

Criteria: Sound business practice requires effective managerial oversight to ensure that the CEC's mission and reporting responsibilities are being met and to hold managers accountable for program operations. DOC Administrative Directive 10.1 directs the CEC Administrator to develop a business plan for CEC by July 1 of each year. The business plan shall identify and assess, among other things, all current and projected industry programs or job assignments.

Condition: The Department's "Strategic Business Plan" for the 1999-2000 fiscal year generally meets the requirements of the Directive; however, it does not adequately address the current and projected program or job assignment component.

Effect: Without adequate annual business operating plans, including benchmarks to measure accomplishments, Industries cannot be ensured that program goals are being achieved.

Cause: The Department failed to follow its own Administrative Directive.

Recommendation: Correctional Enterprises should prepare annual business operating plans in full compliance with all requirements of internal Agency Administrative Directives. (See Recommendation 5.)

Agency Response: "In the CEC Annual Business Plan for the 2000-01 fiscal year, each unit will have a separate section entitled "Job Assignments Catalogue." This will help to satisfy all requirements of the internal Agency Administrative Directives. This issue has been identified as a priority goal the 2000-01 fiscal year."

Correctional Enterprises- Pricing Policy:

Criteria: Good business practice dictates that pricing policies and methods be committed to writing and be approved by upper management.

According to Section 18-88, subsection (e), of the General Statutes, CEC's products shall be sold at prices comparable with the lowest market prices for products sold outside the institutions.

Condition: A pricing policy for CEC was enacted in May 1997, but was not formally disseminated in writing to staff until April 1, 1998. As of March 2000, we noted that the agency has not yet been able to demonstrate full compliance with the pricing policy. A portion of the price catalog for CEC's products was revised utilizing the new pricing policy. However, there was no documentation of computed factory overhead or other indirect costs associated with these pricing revisions. Also, there were insufficient analyses of prevailing market prices for the overall line of products being offered for sale.

Effect: Without an accurate pricing methodology that is based on the most recent and complete cost data and current marketing comparisons, the expected sales revenues may not fully cover all operating costs or may exceed statutory restrictions.

Cause: The Agency continued to revise its price catalog in response to our prior recommendation, but was unable to fully resolve all noted pricing deficiencies.

Recommendation: Prices for all Correctional Enterprises' products and services, based on a formal written policy, should be documented. (See Recommendation 6.)

Agency Response: "CEC has developed a Bill of Materials manual entitled "CEC Bill of Materials, Manufacturing and Non-Manufacturing Overhead, Price Comparisons and Prices." This manual will include a section that will integrate all pricing information… and will be updated annually or earlier, as needed. This issue has been identified as a priority goal for the 2000-01 fiscal year."

Correctional Enterprises- Production Inventory:

Criteria: The State of Connecticut's Property Control Manual requires State agencies to have policies and procedures in place to ensure that all assets are properly recorded. Good business practice requires adequate controls over production inventories.

Condition: As noted in our prior audit report, CEC's various manufacturing inventory systems are not directly tied into the financial reporting system. Inventory adjustments based on physical counts are recorded as inventory usage. Controls are not sufficient to accurately determine inventory losses.

Effect: Without adequate records to control movement of inventory components, personnel could not ensure that losses would be detected and reported on. These conditions prevent CEC from discharging its custodial responsibilities over manufacturing inventories and may hinder Industries' ability to determine estimated costs needed in establishing sales prices.

Cause: The Agency has continued to improve production inventory controls since our last audit. Although controls have been updated, implementation of these controls is not yet complete.

Recommendation: Improved controls are needed over production inventories. (See Recommendation 7.)

Agency Response: "A new computer program, a Microsoft Windows and Access-based perpetual inventory system entitled, "Yes, I Can Run My Business" has been purchased, customized and installed at Cheshire and Osborn. The field operations are responsible for the maintenance of the system database subject to Fiscal Office internal review and field audit. MacDougall is scheduled to be operational by the end of the 1999-2000 fiscal year.

There are adequate records to control movement of inventory components to ensure loss prevention. CEC custodial responsibility over manufacturing inventories is adequately discharged. Records include purchase order receiving reports (CO-95's) used to increment raw material inventories, material requisition forms used to decrease raw material inventories and shipping authorization forms used to decrease finished goods inventories.
Additional controls include Fiscal Office audits of inventories by performing physical counts during the physical inventory periods three times per year. On a monthly basis, inventories are sent to the Fiscal Office for review."

Unavailable Records- District 1 Petty Cash Fund:

Criteria: Section 2-90, subsection (g), of the General Statutes requires each State agency to make all records and accounts available to the Auditors of Public Accounts on demand.

Condition: The Department was unable to provide us with cancelled checks, bank statements and account reconciliations for the District 1 Petty Cash Fund checking account for the 1997-98 fiscal year. We would note that the fund balance was $4,500 and the ledger for 1997-98 was available for our review.

Effect: The Department did not comply with Section 2-90 of the General Statutes by not having certain Petty Cash Fund records available for audit.

Cause: We were unable to determine whether the records were misplaced and never found or were accidentally destroyed.

Conclusion: Since it appears the above matter is an isolated incident, no recommendation is presented. We anticipate the Department will take care to secure all financial records in the future.

Shift Swapping:

Shift swapping has been a regular practice of correctional officers. It involves a shift trade between two employees, whereby the scheduled officer finds a replacement for his/her scheduled shift. In turn, the scheduled officer will fill in for the replacement officer on a future date. The scheduled officer is paid and the working officer is not.

Criteria: Employee salary payments are based on the official attendance records maintained by the Department payroll department. Such records should accurately reflect each employee's attendance record.

Proper internal control would include formal written policies and procedures over attendance practices and such practices should comply with State and Federal laws.

Condition: Attendance records maintained at the correctional institutions document correctional officers swapping shifts. These shift swaps are not reported to the Department payroll office and therefore not reflected on the Department's official attendance records.
It was found that a correctional officer at York Correctional Institution was continually allowing officers to work his assigned shift without a reciprocal trade. For the period from July 1999 through January 2000, our review showed 73 occasions where others worked the officer's assigned shift without the officer working for them in return. We did not determine if "under the table" payments were being made in lieu of not working the

swapped shift.

The above matter was reported to the Governor and other State Officials on May 12, 2000.

Effect: Payroll payments are based on attendance records reflective of employee work schedules rather than actual work.

The practice of shift swapping may violate State and Federal laws.

Cause: The Department does not have a formal policy in place to allow correctional officers to swap assignments. Each correctional facility is allowed to formulate and monitor its own policies for swapping with little guidance from the central office. Also, there is no provision in the union contract that specifically allows the practice of swapping.

Recommendation: The Department should review the propriety of the practice of shift swapping by correctional officers. (See Recommendation 8.)

Agency Response: "The Department has implemented a formal policy, effective July 1, 2000, relative to shift swapping in an effort to ensure compliance in the future."

RECOMMENDATIONS

Our prior reports on the Department of Correction contained eight recommendations. Of the recommendations, two have been implemented or otherwise resolved and six have been repeated herein. The status of the prior recommendations is presented below:

- The Agency should maintain its property control records according to State Comptroller guidelines as provided by Section 4-36 of the General Statutes. Though some improvement was noted over property control, this recommendation is repeated. (See Recommendation 1.)

- The Agency should improve its oversight over payroll matters. This recommendation is repeated. (See Recommendation 2.)

- The Agency should ensure that all losses are reported as required by Section 4-33a of the General Statutes. (See Recommendation 3.)

- The Agency should improve accountability over its construction projects. The Agency has complied with this recommendation.

- The Agency should ensure payments are in accordance with contractual terms. This recommendation has been resolved.

- Correctional Enterprises should prepare annual business operating plans and review its working capital requirements as required by Section 18-88, subsection (h), of the General Statutes. This recommendation is repeated since the annual business operating plans were still not prepared. (See Recommendation 5.)

- Prices for Correctional Enterprises products and services, based on a formal written policy, should be documented. This recommendation is repeated. (See Recommendation 6.)

- Improved controls are needed over production inventories. This recommendation is being repeated. (See Recommendation 7.)

Current Audit Recommendations:

1. **The Agency should maintain its property control records according to the State's Property Control Manual guidelines as provided in Section 4-36 of the General Statutes.**

   Comment:

   Our review found the Agency's property control records for software inventories, two district warehouses and annual property reports for Correctional Enterprises were not in accordance with guidelines established by the State's Property Control Manual.

2. The Agency should improve its oversight over payroll matters.

Comment:

Our sample of Agency payroll transactions found incorrect payments for longevity and separation and a lack of medical certificates for some employees charging more than 40 consecutive hours of leave time.

3. The Agency should ensure that all losses are reported as required by Section 4-33a of the General Statutes.

Comment:

We noted that an employee suspension without pay and a loss of food products totaling $767 due to damage in the Department cafeteria were not promptly reported to the appropriate State Officials as required by Section 4-33a of the General Statutes.

4. The Agency should improve its controls over postage and fuel expenditures.

Comment:

Our review found controls lacking to ensure payments for postage and credit card purchases of gasoline are correct.

5. Correctional Enterprises should prepare annual business operating plans in full compliance with all requirements of internal Agency Administrative Directives.

Comment:

Annual business plans have not been consistently prepared as required by Agency procedures.

6. Prices for all Correctional Enterprises' products and services, based on a formal written policy, should be documented.

Comment:

Although the product price catalog has been partially updated by CEC, there was no Agency documentation to verify that all direct and indirect costs have been factored into these pricing recalculations or that all product prices are comparable with the lowest market prices for products sold outside the institutions.

7. Improved controls are needed over production inventories.

Comment:

We found that inventory systems were not sufficient to report on and detect inventory losses and that they are not tied into the financial reporting system. Inventory reductions are not controlled by withdrawal documents but rather by physical counts.

8. The Department should review the propriety of the practice of shift swapping by correctional officers.

Comment:

The Department allows the practice of shift swapping by correctional officers without any formal policies and procedures. Since the practice may violate State and Federal laws, it should be reviewed for propriety if it is allowed to continue.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Department of Correction for the fiscal years ended June 30, 1998 and 1999. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Correction for the fiscal years ended June 30, 1998 and 1999, are included as part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Department of Correction complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Department of Correction is the responsibility of the Department of Correction management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal years ended June 30, 1998 and 1999, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards.

We did, however, note certain immaterial or less than significant instances of noncompliance that we have disclosed in the "Condition of Records" and "Recommendations" sections of this report. Such instances are contained in Recommendations 1, 2 and 8 concerning property control, payroll and shift swapping.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

The management of the Department of Correction is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Department of Correction financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe our findings regarding insufficient control over Correctional Enterprises' production inventories and shift swapping by correctional officers represent reportable conditions.

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, we believe that the reportable conditions described above are not material or significant weaknesses.

We also noted other matters involving internal control over the Agency's financial operations and over compliance which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report. Such matters are contained in Recommendations 1, 2 and 4 concerning property control, payroll and certain expenditures.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by officials and staff of the Department of Correction during the examination.

Donald R. Purchla
Principal Auditor

Approved:

Kevin P. Johnston	Robert G. Jaekle
Auditor of Public Accounts	Auditor of Public Accounts

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